

**Hillsdale County Intermediate School District
Hillsdale, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Hillsdale County Intermediate School District

Hillsdale, Michigan

BOARD OF EDUCATION

June 30, 2008

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hillsdale County Intermediate School District
Hillsdale, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hillsdale County Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hillsdale County Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hillsdale County Intermediate School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2008, on our consideration of Hillsdale County Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hillsdale County Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 13, 2008

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

Management's Discussion and Analysis

This Section of the Hillsdale County Intermediate School District's (the "District") annual report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the District's annual financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to the statements. These statements are organized so the reader can understand the District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's most significant funds – the General Education Fund, the Special Education Fund and the Vocational Education Fund – with all other funds presented in one column as non-major funds.

The sections of our audit are listed below in the order they appear in this report:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplementary Information

Non-major Governmental Funds
South Central Michigan Works (Discretely Presented Component Unit)

Reporting the School District as a Whole – District-Wide Financial Statements

One of the most important questions asked about the District is, "As a whole, what is the District's financial condition as a result of the year's activities? The statement of net assets and the statement of activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the District.

Reporting the District's Most Significant Funds – Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes (Special Education, Vocational Education, Debt Service and the Capital Projects Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for appropriate capital projects). The governmental funds of the District use the following accounting approach:

Governmental funds – All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

The District as a Whole

Recall the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets as of June 30, 2007 and 2008:

Table 1

	Governmental Activities (In millions)	Component Unit Activities (In millions)	Total (In millions)	Governmental Activities (In millions)	Component Unit Activities (In millions)	Total (In millions)
	June 30, 2008			June 30, 2007		
Assets						
Current and other assets	\$ 5.6	\$ 1.1	\$ 6.7	\$ 5.7	\$ 1.5	\$ 7.2
Capital assets	<u>4.0</u>	<u>0.4</u>	<u>4.4</u>	<u>4.2</u>	<u>0.4</u>	<u>4.6</u>
Total Assets	<u>\$ 9.6</u>	<u>\$ 1.5</u>	<u>\$ 11.1</u>	<u>\$ 9.9</u>	<u>\$ 1.9</u>	<u>\$ 11.8</u>
Liabilities						
Current liabilities	\$ 1.5	\$ 1.1	\$ 2.6	\$ 1.3	\$ 1.5	\$ 2.8
Long-term liabilities	<u>1.5</u>	<u>-</u>	<u>1.5</u>	<u>1.7</u>	<u>-</u>	<u>1.7</u>
Total Liabilities	<u>\$ 3.0</u>	<u>\$ 1.1</u>	<u>\$ 4.1</u>	<u>\$ 3.0</u>	<u>\$ 1.5</u>	<u>\$ 4.5</u>
Net Assets						
Invested in property and equipment, net of related debt	\$ 2.6	\$ 0.4	\$ 3.0	\$ 2.6	\$ 0.4	\$ 3.0
Restricted	-	-	-	-	-	-
Unrestricted	<u>4.0</u>	<u>-</u>	<u>4.0</u>	<u>4.2</u>	<u>-</u>	<u>4.2</u>
Total Net Assets	<u>\$ 6.6</u>	<u>\$ 0.4</u>	<u>\$ 7.0</u>	<u>\$ 6.8</u>	<u>\$ 0.4</u>	<u>\$ 7.2</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the District's governmental activities is discussed below. The District's net assets were \$6,520,935 at June 30, 2008. Capital assets, net of related debt totaling \$2,600,292, compares the original cost, less depreciation, of the District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from unrestricted revenues in each applicable fund. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$3,920,623 was unrestricted.

The \$3,920,623 in unrestricted net assets of governmental activities represents the accumulated results of all past and current years' operations. The unrestricted net assets balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Education Fund, Special Education Fund and the Vocational Education Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities (See Table 2), which shows a decrease in net assets for fiscal year 2007-2008 of \$312,766. The following table shows the comparison of revenue and expenses, comparing 2007-2008 with last year's revenue and expenses (In millions) to fiscal year 2006-2007.

Table 2

	Governmental Activities (In millions)	Component Unit Activities (In millions)	Total (In millions)	Governmental Activities (In millions)	Component Unit Activities (In millions)	Total (In millions)
	June 30, 2008			June 30, 2007		
Revenue						
Program Revenue:						
Charges for services	\$ 1.6	\$ -	\$ 1.6	\$ 0.9	\$ -	\$ 0.9
Operating grants and contributions	5.9	11.0	16.9	6.4	10.2	16.6
General Revenues:						
Property taxes	4.3	-	4.3	4.1	-	4.1
State aid unrestricted	1.0	-	1.0	1.0	-	1.0
Transfers	0.1	(0.1)	-	0.1	(0.1)	-
Other	0.1	-	0.1	0.1	-	0.1
Total Revenue	\$ 13.0	\$ 10.9	\$ 23.9	\$ 12.6	\$ 10.1	\$ 22.7
Functions/Programs Expenses						
Governmental Activities						
Instruction	\$ 5.7	\$ -	\$ 5.7	\$ 5.6	\$ -	\$ 5.6
Support services	7.3	-	7.3	6.2	-	6.2
Community services	0.1	-	0.1	.1	-	.1
Inter-district payments and other	0.1	-	0.1	0.3	-	0.3
Interest on long-term debt	0.1	-	0.1	0.1	-	0.1
South Central Michigan Works	-	10.9	10.9	-	10.2	10.2
Total Expenses	13.3	\$ 10.9	\$ 24.2	\$ 12.3	\$ 10.2	\$ 22.5
Increase (decrease) in Net Assets	\$ (0.3)	\$ 0.0	\$ (0.3)	\$ 0.3	\$ (0.1)	\$ 0.2

As reported in the statement of activities, the cost of all of the governmental activities this year was \$13,321,768. Certain activities were partially funded from those who benefited from the programs \$1,611,725 or by other governments and organizations that subsidized certain programs with grants and contributions \$5,825,244. We paid for the remaining "public benefit" portion of governmental activities with \$4,306,040 in taxes, \$1,050,318 in unrestricted State aid, and with other revenues, such as interest and general entitlements.

The District experienced a decrease in net assets of 312,766. The key reason for the decrease in net assets was the increase in costs to operate district programs without a substantial increase in revenues.

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the District and balance those needs with State-prescribed available unrestricted sources.

The District's Funds

As we noted earlier, the District uses individual fund activities to help it control and manage the available money for specific purposes. Looking at each of the funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$3,899,838, which is a decrease of \$71,827 from last year. The primary reason for the decrease is as follows:

In the General Education Fund, our principal operating fund, the fund balance decreased from \$1,046,622 to \$1,029,250. The decrease of \$17,372 was the result of a planned increase in budgeted expenditures.

In the Special Education Fund, the fund balance decreased from \$1,867,544 to \$1,664,408. The decrease of \$203,136 was the result of a planned increase in budgeted expenditures which includes salary and benefit costs.

In the Vocational Education Fund, the fund balance increased from \$1,057,410 to \$1,206,160. This increase of \$148,750 was the result of a decrease in spending below budgeted expenditures.

Governmental Budgetary Highlights

Over the course of the year, the District revises its Governmental Funds budgets as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

In the original budget the District assumes the revenues such as property taxes, state revenues and federal revenues remain at prior year levels and expenditures are budgeted assuming there will be increases in salaries, benefits and other costs. The original budget was amended January 17, 2008 and June 19, 2008 for increases and/or decreases to funds.

Original versus Final Budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
General Fund			
Total revenues and transfers	\$ 1,892,060	\$ 2,400,022	\$ 507,962
Total expenditures and transfers	\$ 2,218,290	\$ 2,550,508	\$ 332,218
Special Education Fund			
Total revenues and transfers	\$ 8,046,230	\$ 8,951,058	\$ 904,828
Total expenditures and transfers	\$ 8,837,560	\$ 9,372,977	\$ 535,417
Vocational Education Fund			
Total revenues and transfers	\$ 1,362,471	\$ 1,468,471	\$ 106,000
Total expenditures and transfers	\$ 1,378,605	\$ 1,388,226	\$ 9,621

Budgeting for all Funds:

It is the policy of the District to budget based on prior year funding and not recognize increases in revenue until confirmation of the amount has been received. Expenditures increased to reflect costs associated with the additional funding.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the District had \$4,402,324 invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment. This amount represents a net decrease (including additions, disposals and depreciation) of \$180,948 or 3.9% from last year.

	<u>2008</u>	<u>2007</u>
Land	\$ 332,275	\$ 332,275
Buildings and improvements	3,881,190	3,839,723
Furniture and equipment	1,268,355	1,251,841
Buses and vehicles	872,911	835,648
Component Unit (South Central Michigan Works)	<u>878,301</u>	<u>789,611</u>
	7,233,032	7,049,098
Accumulated Depreciation	<u>(2,830,708)</u>	<u>(2,465,826)</u>
Total Capital Assets	<u>\$ 4,402,324</u>	<u>\$ 4,583,272</u>

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the District had \$1,367,397 in bonds and installment bank loans versus \$1,533,897 in the previous year – a decrease of \$166,500. These obligations consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 811,397	\$ 881,397
Buildings and improvements	<u>556,000</u>	<u>652,500</u>
Totals	<u>\$ 1,367,397</u>	<u>\$ 1,533,897</u>

The State limits the amount of general obligation debt that an intermediate school district can issue to 1/9 of one percent of the taxable value of all property within the District's boundaries. Other obligations of the District include accrued sick leave (compensated absences) and computer leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next year's Budgets and Rates

Our elected officials and administration consider many factors when setting the District's 2008-2009 fiscal year budgets. The 2008-2009 budgets were adopted June 19, 2008 based on an estimate of local, State and Federal revenues that were anticipated at that time. Under State law, the School District cannot assess additional property tax revenue for general, special education or vocational education operations. As a result, district funding is heavily dependent on the State's ability to fund school operations. State law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations.

Once the state aid revenues are confirmed, the District administration will present balanced, amended budgets to the Board of Education for adoption.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 310 West Bacon Street, Hillsdale, Michigan 49242 or visit our website at www.hillsdale-isd.org.

BASIC FINANCIAL STATEMENTS

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and cash equivalents	\$ 3,661,440	\$ (125,998)
Receivables -		
Taxes	26,572	-
Accounts and other	66,900	2,684
Due from other governmental units	1,532,106	1,232,838
Inventories	251,954	-
Prepaid expenditures	23,439	2,521
Other assets	1,377	-
Capital assets (net of accumulated depreciation)		
Assets not being depreciated	332,275	-
Assets being depreciated	3,671,687	398,362
Total Assets	<u><u>\$ 9,567,750</u></u>	<u><u>\$ 1,510,407</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	411,272	1,013,001
Accrued payroll and related liabilities	743,665	59,464
Accrued interest payable	152,329	-
Due to other governmental units	92,426	-
Deferred revenue	102,791	39,580
Long-term liabilities:		
Due within one year	495,453	730
Due in more than one year	1,048,879	751
Total Liabilities	<u><u>3,046,815</u></u>	<u><u>1,113,526</u></u>
Net Assets:		
Investment in capital assets, net of related liabilities	2,600,292	396,881
Restricted -		
Debt Service	20	-
Unrestricted	3,920,623	-
Total Net Assets	<u><u>\$ 6,520,935</u></u>	<u><u>\$ 396,881</u></u>

See accompanying notes to financial statements.

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities	Component Unit
Governmental Activities:						
Instruction	\$ 5,713,861	\$ 781,845	\$ 3,186,042	\$ -	\$ (1,745,974)	\$ -
Support Services	7,347,972	789,315	2,581,661	-	(3,976,996)	-
Community Services	66,210	40,565	57,541	-	31,896	-
Interdistrict payments and other	77,991	-	-	-	(77,991)	-
Interest on long-term debt	115,734	-	-	-	(115,734)	-
Total governmental activities	<u>\$ 13,321,768</u>	<u>\$ 1,611,725</u>	<u>\$ 5,825,244</u>	<u>\$ -</u>	<u>(5,884,799)</u>	<u>-</u>
Component Unit						
South Central Michigan Works	<u>\$ 10,893,563</u>	<u>\$ -</u>	<u>\$ 10,979,718</u>	<u>\$ -</u>	<u>-</u>	<u>86,155</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes					310,430	-
Property taxes, levied for special education					2,996,597	-
Property taxes, levied for vocational education					999,013	-
State aid unrestricted					1,050,318	-
Interest and investment earnings					116,383	-
Loss on disposal of capital assets					(4,326)	-
Transfers					<u>103,618</u>	<u>(103,618)</u>
Total general revenues and transfers					<u>5,572,033</u>	<u>(103,618)</u>
Change in net assets					(312,766)	(17,463)
Net assets at beginning of year					<u>6,833,701</u>	<u>414,344</u>
Net assets at end of year					<u>\$ 6,520,935</u>	<u>\$ 396,881</u>

See accompanying notes to financial statements.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General Education</u>	<u>Special Education</u>	<u>Vocational Education</u>	<u>Other Non-Major Governmental Funds</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 857,708	\$ 1,798,348	\$ 1,005,364	\$ 20	\$ 3,661,440
Receivables -					
Taxes	6,876	14,770	4,926	-	26,572
Accounts	3,191	6,080	676	-	9,947
Due from other governmental units	507,995	959,448	64,663	-	1,532,106
Due from other funds	102,006	20,360	-	-	122,366
Due from component unit	45,967	-	10,986	-	56,953
Inventories	5,009	2,979	243,966	-	251,954
Prepaid expenditures	18,495	-	4,944	-	23,439
Other assets	1,377	-	-	-	1,377
Total Assets	<u>\$ 1,548,624</u>	<u>\$ 2,801,985</u>	<u>\$ 1,335,525</u>	<u>\$ 20</u>	<u>\$ 5,686,154</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	73,585	293,672	41,994	-	409,251
Accrued payroll and related liabilities	36,903	655,293	55,690	-	747,886
Due to other governmental units	43,589	48,837	-	-	92,426
Due to other funds	53	93,707	28,606	-	122,366
Due to component unit	2,021	-	-	-	2,021
Deferred revenue	363,223	46,068	3,075	-	412,366
Total Liabilities	<u>519,374</u>	<u>1,137,577</u>	<u>129,365</u>	<u>-</u>	<u>1,786,316</u>
Fund Balances:					
Reserved -					
Inventories	5,009	2,979	164	-	8,152
Prepaid expenditures	18,495	-	4,944	-	23,439
Debt service	-	-	-	20	20
Unreserved -					
Designated	240,565	156,343	-	-	396,908
Undesignated					
General Fund	765,181	-	-	-	765,181
Special Revenue Funds	-	1,505,086	1,201,052	-	2,706,138
Total Fund Balances	<u>1,029,250</u>	<u>1,664,408</u>	<u>1,206,160</u>	<u>20</u>	<u>3,899,838</u>
Total Liabilities and Fund Balances	<u>\$ 1,548,624</u>	<u>\$ 2,801,985</u>	<u>\$ 1,335,525</u>	<u>\$ 20</u>	<u>\$ 5,686,154</u>

See accompanying notes to financial statements.

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances - total governmental funds	\$ 3,899,838
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.

Capital assets	6,354,731	
Accumulated depreciation	<u>(2,350,769)</u>	4,003,962

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds:

Installment contracts with local school districts	309,575
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:

Bonds payable	(811,397)	
Bank loans	(556,000)	
Accrued interest on bonds payable	(148,108)	
Accrued compensated absence	(140,662)	
Capital lease	<u>(36,273)</u>	<u>(1,692,440)</u>

Net Assets of governmental activities	<u>\$ 6,520,935</u>
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See accompanying notes to financial statements.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

	General Education	Special Education	Vocational Education	Other Non-Major Governmental Funds	TOTAL
Revenues					
Local sources	\$ 471,542	\$ 3,702,588	\$ 1,050,905	\$ 3	\$ 5,225,038
State sources	651,643	3,750,610	355,552	-	4,757,805
Federal sources	190,881	1,811,823	-	-	2,002,704
Interdistrict sources	1,079,523	28,707	-	-	1,108,230
Total Revenues	2,393,589	9,293,728	1,406,457	3	13,093,777
Expenditures					
Current -					
Instruction	334,684	4,627,051	677,347	-	5,639,082
Support Services	1,937,069	4,524,844	663,995	-	7,125,908
Community Services	1,983	57,250	6,977	-	66,210
Interdistrict payments and other transactions	7,911	70,080	-	-	77,991
Capital Outlay	38,022	107,661	4,779	-	150,462
Debt Service	121,509	-	-	88,060	209,569
Total Expenditures	2,441,178	9,386,886	1,353,098	88,060	13,269,222
Excess of revenues over (under) expenditures	(47,589)	(93,158)	53,359	(88,057)	(175,445)
Other Financing Sources (Uses)					
Transfer In from component unit	-	-	103,618	-	103,618
Transfer In	68,152	-	72	88,060	156,284
Transfer Out	(37,935)	(109,978)	(8,299)	(72)	(156,284)
Total Other Financing Sources (Uses)	30,217	(109,978)	95,391	87,988	103,618
Net Change in Fund Balance	(17,372)	(203,136)	148,750	(69)	(71,827)
Fund Balance at beginning of year	1,046,622	1,867,544	1,057,410	89	3,971,665
Fund Balance at end of year	\$ 1,029,250	\$ 1,664,408	\$ 1,206,160	\$ 20	\$ 3,899,838

See accompanying notes to financial statements.

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ (71,827)

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures in the
statement of activities, these costs are allocated over their estimated
lives as depreciation:

Capital outlay	150,462	
Loss on disposal of fixed assets	(4,326)	
Depreciation expense	<u>(296,843)</u>	(150,707)

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue in the
governmental funds:

Installment contract payments with local school districts	(67,888)	
Decrease in accrued interest receivable	<u>(72,571)</u>	(140,459)

Acquisition of long-term capital lease and repayment of principal of
long-term debt consumes the current financial resources of
governmental funds, however has no effect on net assets:

Principal payments on long-term liabilities	166,500	
Capital lease	(36,273)	
Increase in accrued interest payable	<u>(72,665)</u>	57,562

Increase in sick and terminal leave are reported as expenditures when financial resources are used in the governmental funds:	<u>(7,335)</u>
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Net assets of governmental activities	<u><u>\$ (312,766)</u></u>
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See accompanying notes to financial statements.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Hillsdale County Intermediate School District (the “District”) accounts for its financial transactions in accordance with policies and procedures of the Michigan Department of Education’s *Michigan Public School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the U.S. Governmental Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants (“AICPA”). The District’s more significant accounting policies are described below.

1. Reporting Entity

The District was established under the constitution and statutes of the State of Michigan and is located in the City of Hillsdale. The governing authority consists of five elected officials who, together, constitute the Board of Education and provides services to local school districts throughout Hillsdale County, including basic education, special education, and vocational education. The District’s combined financial statements include the accounts of all its operations.

The District evaluated whether any other entity should be included in these financial statements. The basic, but not only criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for general purpose financial reports is the ability of the governmental unit’s elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the years ended June 30, 2008 and 2007 the School District has one component unit.

Discretely Presented Component Unit – South Central Michigan Works (SCMW) is one of twenty-five (25) Michigan Works agencies in the State of Michigan. The area served by SCMW is located within the geographical boundaries of the Counties of Hillsdale, Jackson, and Lenawee, Michigan.

South Central Michigan Works, as a regional Workforce Development Board, is responsible for providing workforce training, education and placement services to individuals who are employed, unemployed, and underemployed throughout the three Counties of Hillsdale, Jackson, and Lenawee.

South Central Michigan Works provides a wide range of job training services through a diversified network of service providers, which includes local area schools, nonprofit organizations, and profit organizations.

South Central Michigan Works is financially accountable to the District because the District, through legal agreement, has accepted fiscal responsibility for South Central Michigan Works.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues-Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" usually means collectible within the current period or within 60 days after year end.

Non-exchange transactions is where the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Deferred Revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major and non-major funds as follows:

Major Governmental Funds:

General Fund – is the District's primary operating fund. It accounts for all activities not reported in other funds.

Special Education Fund – is considered a Special Revenue fund and is used to account for all financial resources relating to the operation of special education programs of the District.

Vocational Education Fund – is considered a Special Revenue fund and is used to account for all financial resources relating to the operation of the vocational and technical programs of the District.

Non-Major Governmental Funds:

Debt Service Funds – are used to record the payment of, principal, interest, and other expenditures on long-term bonded debt. The District maintains the 1996 School Building & Site Bonds (Administration), 2002 Special Education Bonds (Special Education Building), 2002 Vocational Education Bond (Technology Center Building '02) and 1998 Durant School Improvement Bond

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. All unexpended appropriations lapse or are liquidated on June 30.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Administration submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Pursuant to Section 380.624 of the Revised School Code the General Fund budget is released to the various Local Educational Association (LEA) boards by May 1 to obtain comments and approvals from each board of education before the District's School Board approves the current year budget at its June meeting.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (A.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Two (2) amendments were made during the year January 17, 2008 and June 19, 2008.

6. Cash and Cash Equivalents

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Deposit Corporation.

Cash and cash equivalents consist of cash on-hand, demand deposits, certificates of deposit and original maturities of three months or less from the date of acquisition, money market and governmental pool investment funds are recorded at cost which approximates fair value. The governmental pool investment funds have the general characteristics of demand deposit accounts in that the District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

7. Receivables

All trade and property taxes are shown net of an allowance for uncollectible amounts. The District considers all receivables to be fully collectible, accordingly no allowance for uncollectible is necessary.

8. Due from Other Governmental Units

Due from other governmental units consist of various amounts owed to the District for grant programs, State Aid payments and other purposes. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2008 to be paid in July and August 2008. Of the amount of \$1,532,106 due from other governmental units, \$902,093 consists of State Aid and the remaining \$630,013 from other governmental unit contracts.

9. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

10. Inventories

Inventory in the General Fund and Special Education Fund (Special Revenue) represents purchased supplies held for consumption which are reported at the lower of cost, determined by the first-in, first-out (FIFO) method, or market. Inventory in the Vocational Education Fund (Special Fund) represents building materials and land to be used for the Home Student Building Program, which are reported at lower of cost, determined by the first-in, first-out (FIFO) method, or market. Inventories of supplies in the General and Special Education Funds are equally offset by a fund balance reserve which indicates that they do not constitute expendable available financial resources, even though they are a component of net current assets. The land and building materials in the Vocational Education Fund are recognized using the consumption method (inventories are recorded as expenditures when they are used); therefore, fund balance is not reserved.

11. Prepaid Expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Assets.

12. Capital Assets

Capital assets, which include property, buildings, equipment and vehicles, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$2,000 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The School District does not have infrastructure type assets.

Property, buildings, equipment and vehicles of the District are depreciated using the straight-line method over the estimated useful lives:

Building and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-15 years

13. Deferred Revenue

Cash received for federal and state grants and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific grants and programs exceed qualified expenditures.

14. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the district-wide fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

15. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements related to interest on general obligation bonds and bank installment loans.

16. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount, if significant. Bond issuance costs, if significant, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financial sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

17. Fund Balance Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

18. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31st and the related property taxes become a lien on December 1st of the following year. These taxes are billed on the lien date of December 1st and are due by February 28th of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. District property tax revenues are recognized when levied to the extent that they result in the current revenue (collected as of year-end). Amounts received subsequent to June 30th are recognized as revenue when collected.

The District levies taxes on applicable property within Hillsdale County of \$.2674 per \$1,000 of taxable valuation for the General Fund, \$.2675 per \$1,000 of taxable valuation for the Special Education Fund and \$.8918 per \$1,000 of taxable valuation for the Vocational Education.

19. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

20. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

21. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds and the District's component unit. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

23. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

24. Risk Management

The District is exposed to various risks of loss related to property loss, general liability, errors and omission. The District participates in the SET-SEG risk pool for property loss, general liability, fleet coverage and errors and omissions. The pool organized under Public Act 138 is composed of school districts through the State of Michigan who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The pool retains the first \$500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding they could also assess its member's additional charges.

The District also participates in the SEG Self-Insured Workers' Compensation Fund for claims relating to Workers' Compensation. The pool also operates as a common risk sharing management program for School Districts in Michigan. Member's premiums are used to purchase commercial excess insurance and to pay member claims in excess of deductible amounts. The District continues to carry commercial health insurance.

There were no significant reductions in insurance coverage in the current fiscal year and no insurance settlement exceeding insurance coverage.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS:

In accordance with Michigan Public Act 132 of 1986, as amended, the District is authorized to invest its surplus funds in the following types of investments:

- a) Bonds, bills or notes of the United States, obligations, the principal interest of which are fully guaranteed by the United States, or obligations of the State.
- b) Certificates of deposit issued by a state or national bank, savings account of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in the State.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS – (cont'd):

- d) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e) United States government or federal agency obligation repurchase agreements.
- f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a District.
- h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the District.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association or credit union.

Credit Risk - Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the District's deposits was \$37,315 and the bank balance was \$245,056, of which \$100,020 was covered by federal depository insurance. The balance of \$145,036 was uninsured and uncollateralized. The District also had \$600 of imprest cash on hand.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution it deposits District Funds with and assesses the level of risk of each institution. The District uses only those financial institutions with an acceptable estimated risk level as depositories.

Credit Risk – Investments

The District has invested in two external investment pools: Michigan Liquid Asset Fund and Automated Cash Management Trust. The Michigan Liquid Asset Fund pool is an investment fund created exclusively for governmental units (school districts). The fund invests primarily in U.S. Government Securities, governmental agency securities and repurchase agreements. The Automated Cash Management Trust primarily invests in Government Agencies and Repurchase Agreements.

The balance at June 30, 2008, per external investment pool is as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Michigan Liquid Asset Fund	\$3,447,208	AAA	Standard & Poor's	<60
Automated Cash Management Trust	<u>50,319</u>	AAAm	Standard & Poor's	49
	<u>\$3,497,527</u>			

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the values of its investments that are in possession of another party.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS – (cont'd):

The securities of the pools are safely kept with a third party selected counterparty. However, the pools' securities are held in trust for the participants of the funds and are not available to the counterparty if the counterparty should happen to fail.

These investment pools have been reported in the financial statements as cash equivalent because they have the general characteristics of demand deposit accounts in that the District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

As of June 30, 2008, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Component Unit</u>	<u>Total</u>
Deposits –			
Cash on Hand –			
Petty Cash	\$ 600	\$ -	\$ 600
Deposits with Financial Institutions –			
Checking/Money Market	163,293	(125,998)	37,295
Savings/Certificate of Deposits	<u>20</u>	<u>-</u>	<u>20</u>
Total Deposits	<u>163,313</u>	<u>(125,998)</u>	<u>37,315</u>
Investments –			
Investment Trust Funds	<u>3,497,527</u>	<u>-</u>	<u>3,497,527</u>
	<u>\$ 3,661,440</u>	<u>\$(125,998)</u>	<u>\$3,535,442</u>

NOTE 3 – CAPITAL ASSETS:

Capital assets activity of the District for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2008</u>
<u>Primary Government –</u>				
Capital assets not being depreciated –				
Land	<u>\$ 332,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,275</u>
Capital assets being depreciated –				
Building and improvements	3,839,723	44,613	3,146	3,881,190
Furniture and equipment	1,251,841	16,514	-	1,268,355
Buses and vehicles	<u>835,648</u>	<u>89,335</u>	<u>52,072</u>	<u>872,911</u>
Total capital assets being depreciated	<u>5,927,212</u>	<u>150,462</u>	<u>55,218</u>	<u>6,022,456</u>
Less accumulated depreciation –				
Building and improvements	790,324	94,897	1,730	883,491
Furniture and equipment	780,771	100,534	-	881,305
Buses and other vehicles	<u>533,723</u>	<u>101,412</u>	<u>49,162</u>	<u>585,973</u>
Total accumulated depreciation	<u>2,104,818</u>	<u>296,843</u>	<u>50,892</u>	<u>2,350,769</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 3 – CAPITAL ASSETS – (cont'd):

Total capital assets being depreciated, net	<u>\$3,822,394</u>	<u>\$(146,381)</u>	<u>\$ 4,326</u>	<u>\$3,671,687</u>
Total Primary Government	<u>\$4,154,669</u>	<u>\$(146,381)</u>	<u>\$ 4,326</u>	<u>\$4,003,962</u>
<u>Component Unit – South Central Michigan Works –</u>				
Building and improvements	\$ 28,211	\$ -	\$ -	\$ 28,211
Furniture and equipment	<u>761,400</u>	<u>88,690</u>	<u>-</u>	<u>850,090</u>
	789,611	88,690	-	878,301
Less – accumulated depreciation	<u>360,908</u>	<u>119,031</u>	<u>-</u>	<u>479,939</u>
Total Capital assets being depreciated, net	<u>\$428,703</u>	<u>\$(30,341)</u>	<u>\$ -</u>	<u>\$398,362</u>

Depreciation expense was charged to the various function/programs as follows:

Governmental Activities –	
Instruction	\$ 74,779
Support Services	<u>222,065</u>
	<u>\$296,844</u>
Component Unit –	
South Central Michigan Works	<u>\$ 88,690</u>

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances is as follows

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds:		
General Education Fund	Special Education Fund	\$ 93,707 (1)
General Education Fund	Vocational Education Fund	8,299 (1)
Special Education Fund	General Education Fund	53 (1)
Special Education Fund	Vocational Education Fund	<u>20,307 (1)</u>
Total		<u>\$122,366</u>
Due to/from Primary Government & Component Unit:		
Primary Government -	Component Unit –	
General Education Fund	South Central Michigan Works	\$ 45,967 (1)
Vocational Education Fund	South Central Michigan Works	10,986 (1)
Component Unit –		
South Central Michigan Works	General Education Fund	<u>2,021 (1)</u>
Total		<u>\$ 58,974</u>

(1) To reimburse expenditures between funds

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 – INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers between funds are as follows:

<u>Transfers in Fund</u>	<u>Transfer out Fund</u>	<u>Amount</u>
General Education Fund	Special Education Fund	\$ 59,853 (4)
General Education Fund	Vocational Education Fund	8,299 (4)
Administration Building Debt Fund	General Education Fund	37,935 (2)
Vocational Education Fund	WFTC Debt Fund	72 (1)
Special Education Debt Fund	Special Education Fund	<u>50,125 (2)</u>
Total		<u>\$155,784</u>

Transfers between primary government and component unit are as follows:

<u>Transfers in Fund</u>	<u>Transfers out Fund</u>	<u>Amount</u>
Vocational Education Fund	South Central Michigan Works!	<u>\$ 103,616 (3)</u>

- (1) To close fund balance to regular fund.
- (2) Appropriations for debt service.
- (3) Subcontract payments for Perkins and Tech Prep services.
- (4) To pay for services provided.

NOTE 6 – DEFERRED REVENUE:

Hillsdale County Intermediate School District reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The District also defers revenue recognition in connection with resources that have been received but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
<u>Governmental Funds</u>		
Grants received prior to meeting all eligibility requirements	\$ -	\$ 102,791
Installment contract receivable	<u>309,575</u>	<u>-</u>
Total	<u>\$ 309,575</u>	<u>\$ 102,791</u>
Component Unit (SCMW)	<u>\$ -</u>	<u>\$ 39,580</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 – LONG TERM DEBT:

The following is a summary of changes in the long-term debt obligations for the year ended June 30, 2008:

	Balance July 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2008</u>	Balance Due Within <u>One Year</u>
Primary Government –					
1996 School Bldg. & Site Bonds \$	130,000	\$ -	\$ 30,000	\$ 100,000	\$ 30,000
2002 Special Education Bonds	230,000	-	40,000	190,000	45,000
1998 Durant Bonds	521,397	-	-	521,397	300,298
Bank Loans – Fiber optical Phase I & II	431,500	-	78,500	353,000	78,500
Bank Loan – Lochaven	221,000	-	18,000	203,000	18,000
Compensated absences	133,327	7,335	-	140,662	-
Capital Lease	<u>-</u>	<u>36,273</u>	<u>-</u>	<u>36,273</u>	<u>23,655</u>
	<u>\$1,667,224</u>	<u>\$ 43,608</u>	<u>\$ 166,500</u>	<u>\$1,544,332</u>	<u>\$ 495,453</u>
Component Unit:					
Capital Lease	<u>\$ 14,359</u>	<u>\$ -</u>	<u>\$ 12,878</u>	<u>\$ 1,481</u>	<u>\$ 730</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Primary Government –

Bonds –

1996 School Building & Site Bonds –

Bonds in the original amount of \$380,000, dated July 1, 1996 are payable in annual installments ranging from \$30,000 to \$35,000, on May 1, 2008 through 2011 plus interest ranging from 5.40 to 5.80 percent, payable semi-annually on May 1, and November 1.

\$100,000

2002 Special Education Bonds –

Bonds in the original amount of \$405,000, dated March 1, 2002, are payable in annual installments ranging from \$40,000 to \$50,000 on May 1, 2008 through 2012, plus interest ranging from 3.95 to 4.50 percent payable, semi-annually on May 1 and November 1.

190,000

1998 Durant School Improvement Bonds -

Bonds resulting from Durant Settlement in the original amount of \$883,030, dated November 24, 1998, are payable to Michigan Municipal Bonding Authority. During 2008, the payment schedule was revised, whereby all required payments for the years 2003-2005 and 2007-2008 were deferred until May 15, 2009, payable in annual installments ranging from \$42,742 to \$300,298 on May 15, 2009, through 2013 plus interest at 4.761 percent, also payable annually on May 15.

521,397

Total Governmental Bond Obligations

\$811,397

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 – LONG TERM DEBT – (cont'd):

The annual requirements to maturity for the above governmental bond obligations are as follows:

	<u>1996 Building and Site Bonds</u>		<u>2002 Special Ed Bond</u>		<u>1998 Durant Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,000	\$ 5,705	\$ 45,000	\$ 8,275	\$ 300,298	\$ 116,334
2010	35,000	4,025	45,000	6,385	51,481	10,527
2011	35,000	2,030	50,000	4,450	53,933	8,076
2012	-	-	50,000	2,250	56,498	5,508
2013	-	-	-	-	59,187	2,818
	<u>\$100,000</u>	<u>\$11,760</u>	<u>\$190,000</u>	<u>\$21,360</u>	<u>\$ 521,397</u>	<u>\$ 143,263</u>

Bank Loans –

Fiber Optic Loan Phase I –

Loan payable to bank, dated April 15, 2003, for the installation of fiber optic lines is payable in annual installments of \$39,500 on April 15, 2009 through 2012, plus annual interest at 4.05 percent.

\$158,800

Fiber Optic Loan Phase II –

Loan payable to bank, dated April 29, 2003, for the installation of fiber optic lines is payable in annual installments of \$39,000 on April 15, 2009, through 2013, plus annual interest at 3.48 percent.

195,000

Lochaven Bank Loan –

During the year ended June 30, 2004, the Intermediate School District entered into a loan agreement with the County National Bank, Hillsdale, Michigan to finance a purchase agreement of the Lochaven real property from Community Action Agency. The loan dated April 22, 2004, in the amount of \$275,000 is payable in annual installments ranging from \$18,000 to \$23,000 on May 1, 2009 through May 1, 2019, with interest at 4.35 percent, also payable on May 1st.

203,000

\$556,800

The annual requirements to maturity for above governmental bank loan obligations are as follows:

	<u>Fiber Optics Phase I Loan</u>		<u>Fiber Optics Phase II Loan</u>		<u>Lochaven Bank Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 39,500	\$ 6,399	\$ 39,000	\$ 6,786	\$ 18,000	\$ 8,830
2010	39,500	4,799	39,000	5,429	18,000	8,048
2011	39,500	3,200	39,000	4,072	18,000	7,265
2012	39,500	1,600	39,000	2,714	18,000	6,482
2013	-	-	39,000	1,357	18,000	5,699
2014-2019					<u>113,000</u>	<u>17,748</u>
	<u>\$158,000</u>	<u>\$ 15,998</u>	<u>\$195,000</u>	<u>\$ 20,358</u>	<u>\$203,000</u>	<u>\$ 54,072</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 7 – LONG TERM DEBT – (cont'd):

Compensated Absences –

Compensated absences represent the long-term portion of accumulated sick and personal leave due to qualifying District employees upon termination with the School District.

\$140,662

The Debt Service Funds have \$20 available to service the general obligation bonds. The general obligation bonds are serviced through the Debt Service Funds with transfers from the General Education Fund and Special Revenue Funds. The Durant bonds are serviced with State Aid reported in the Debt Service Fund. The bank loans are serviced directly from the respective major funds.

Primary Government and Component Unit - Capital Leases --

The District and Component Unit, South Central Michigan Works, has entered into capital lease agreements with Dell Financial Services for computers. The minimum annual payments for the capital leases are summarized in Note 8.

\$ 36,273

NOTE 8 – CAPITAL LEASES:

The School District has entered into lease purchase agreements to finance the acquisition of computers. The lease agreements qualify as capital leases for accounting purposes (agreements provide for either title transfer or bargain purchase options at the end of the lease terms) and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception.

Commitments under these lease agreements provide for minimum annual payments as follows:

Year Ending <u>June 30,</u>	Primary <u>Government</u>	Component Unit South Central <u>Michigan Works</u>
2009	\$23,655	\$ 730
2010	14,516	730
2011	2,001	177
2012	<u>500</u>	<u>-</u>
	40,672	1,637
Less amounts representing interest	<u>4,399</u>	<u>156</u>
Present value of minimum lease payments	<u>\$36,273</u>	<u>\$1,481</u>

NOTE 9 – HOME STUDENT BUILDING PROGRAM:

During the current year the District was into the second year of building a new home through the program, which was completed at the end of June 30, 2008. The program inventory balance as of June 30, 2008 consists of the following:

Building Costs (current home)	\$185,902
Land (lots for future homes)	<u>57,900</u>
	<u>\$243,802</u>

The District's student home was sold in July 2008 for \$199,049.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM:

Defined Benefit Pension Plan

Plan Description –

The District, as part of the Michigan Public School System, is required by State law to participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement, survivor and disability benefits and currently operates under the provisions of Act 200 of the Public Acts of 1980, as amended. The plan covers substantially all employees of the School District. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Office of Retirement Services, Michigan Public School Employees Retirement System, and 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-8103.

Funding Policy –

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The actuarial rate for the period July 1, 2007 through September 30, 2007 was 17.74%, and for the period October 1, 2007 through June 30, 2008 was 16.72%. Basic Plan members make no contributions, but contribute to the Member Investment Plan (MIP) at rates ranging from 3.0% to 4.3% based on the date of enrollment and the graduated permanent fixed rate contributions.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

The District's contributions to MPERS for the last three years were as follows:

2006	\$ 926,559
2007	993,865
2008	1,037,928

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months five (5) years multiplied by the total years to the nearest tenth of a year of credited service.

Post Retirement Benefits –

MPERS also provides death and disability benefits and health and medical dental, vision, and hearing insurance coverage. Required contributions for these post retirement benefits are included in the actuarial rates determined as part of the basic retirement benefits and are established by State statute.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 11 -- RELATED PARTY:

South Central Michigan Works has several Board Members who are employees, council or Board Members of governmental, not for the profit organizations and/or private businesses, which are service providers and/or provide service in collaboration with South Central Michigan Works. Pursuant to Michigan Department of Labor and Growth (MDLEG) guidelines the Chief Elected Official must sign and submit The Conflict of Interest Attestment and Conflict of Interest Waiver Request Form during SCMW's recertification. As an internal process SCMW has all individual WDB and Consortium Members sign and acknowledge the conflict of interest policy of SCMW and the MDLEG.

The following is a summary of disbursements for the period ended June 30, 2008:

South Central Michigan Works – Workforce Development Board

Hillsdale County Industrial Development Commission	\$18,228
Jackson Community College	1,979,638

NOTE 12 – FUND EQUITY:

Designated Fund Balances –

The Board designates unrestricted sources to be used for specific projects or programs. The following is a summary of designated fund balances at June 30, 2008:

General Education Fund –	
State Aid – Durant Settlement	<u>\$240,565</u>
Special Revenue Funds –	
Special Education Fund	
Medicaid Outreach	<u>\$156,343</u>

Reserved Fund Balances –

Fund balance has been reserved in various funds to indicate the portion of fund balance not available but reserved for a specific purpose. The following is a summary of reserved fund balance at June 30, 2008:

General Education Fund –	
Inventories	\$ 5,009
Prepaid items	<u>18,495</u>
	23,504
Special Revenue Funds –	
Special Education Fund –	
Inventories	2,979
Vocational Education Fund –	
Inventories	164
Prepaid items	<u>4,944</u>
	8,087
Debt Service Funds	
Administration Building Fund	
Debt service	17
Special Education Building Fund	
Debt service	<u>3</u>
	<u>20</u>
	<u>\$31,611</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 13 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the required supplementary financial statements, the District's budgeted expenditures in the General Education and Special Revenue Funds (Special Education and Vocational Education) have been adopted and reported at the functional classification level.

During the year ended June 30, 2008, the District incurred expenditures in the General Education, Special Education and Vocational Education Funds in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Education Fund -</u>			
Instruction –			
Basic programs	\$205,421	\$208,384	\$ 2,963
Support Services-			
Pupil	598,121	629,796	31,675
Instructional staff	195,883	201,147	5,264
General administration	168,097	173,739	5,642
School administration	15,197	17,104	1,907
Business services	307,459	320,616	13,157
Other	35,263	37,504	2,241
Capital Outlay	31,455	38,022	6,567
Debt Service	120,648	121,509	861
Other Financing Uses-			
Transfers out	37,635	37,935	300
<u>Special Education Fund -</u>			
Instruction –			
Added needs	4,438,634	4,627,051	188,417
Support Services-			
General administration	34,487	34,994	507
Business services	294,649	336,715	42,066
Central - Personnel services	378,564	379,777	1,213
Interdistrict payments and other transactions	59,001	70,080	11,079
Capital outlay	106,425	107,661	1,236
<u>Vocational Education Fund -</u>			
Support Services-			
Operations and maintenance	67,097	68,301	1,204
Pupil transportation services	987	1,028	41
Community Services	6,642	6,977	335

NOTE 14 – CONTINGENT LIABILITY:

Hillsdale County ISD receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to monitoring by the grantor agencies. Any disallowed claims resulting from such monitoring could become a liability to Hillsdale County ISD. However, in the opinion of administration, any such disallowed claims will not have a material effect on the financial statements of Hillsdale County ISD at June 30, 2008.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 15 – SUMMARY OF SIGNIFICANT COMMITMENTS:

Leases –

Hillsdale County ISD leases certain buildings and other equipment under non-cancelable operating leases. Total costs for such leases for the District for the year ended was \$33,662 for the primary governments and \$389,450 for the component unit South Central Michigan Works. The future minimum lease payments as of June 30, 2008 are as follows:

Year Ending <u>June 30</u>	Primary <u>Government</u>	Component Unit of South Central <u>Michigan Works</u>
2009	\$ 70,176	\$ 365,552
2010	40,461	180,999
2011	3,060	158,249
2012	255	158,249
	<u>\$113,952</u>	<u>\$ 863,049</u>

REQUIRED SUPPLEMENTARY INFORMATION

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 330,324	\$ 436,037	\$ 471,542	\$ 35,505
State sources	652,659	672,870	651,643	(21,227)
Federal sources	301,496	286,518	190,881	(95,637)
Interdistrict sources	537,888	934,455	1,079,523	145,068
Total Revenues	1,822,367	2,329,880	2,393,589	63,709
Expenditures:				
Current -				
Instruction -				
Basic programs	272,342	205,421	208,384	(2,963)
Added needs	130,095	153,610	126,300	27,310
Support Services -				
Pupil	40,250	598,121	629,796	(31,675)
Instructional staff	216,668	195,883	201,147	(5,264)
General administration	170,018	168,097	173,739	(5,642)
School administration	14,638	15,197	17,104	(1,907)
Business services	308,278	307,459	320,616	(13,157)
Operations and maintenance	233,123	199,741	181,097	18,644
Pupil transportation services	13,896	22,450	22,122	328
Central - Personnel services	452,676	437,660	353,944	83,716
Other	35,700	35,263	37,504	(2,241)
Community Services	70,900	4,957	1,983	2,974
Interdistrict payments and other transactions	-	16,911	7,911	9,000
Capital Outlay	100,096	31,455	38,022	(6,567)
Debt Service	122,255	120,648	121,509	(861)
Total Expenditures	2,180,935	2,512,873	2,441,178	71,695
Excess of revenues under expenditures	(358,568)	(182,993)	(47,589)	135,404
Other Financing Sources (Uses):				
Transfer In	69,693	70,142	68,152	(1,990)
Transfer Out	(37,355)	(37,635)	(37,935)	(300)
Total Other Financing Sources (Uses)	32,338	32,507	30,217	(2,290)
Net Change in Fund Balance	(326,230)	(150,486)	(17,372)	133,114
Fund Balance at beginning of year	1,046,622	1,046,622	1,046,622	-
Fund Balance at end of year	\$ 720,392	\$ 896,136	\$ 1,029,250	\$ 133,114

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,891,815	\$ 3,326,680	\$ 3,702,588	\$ 375,908
State sources	3,540,015	3,748,947	3,750,610	1,663
Federal sources	1,599,666	1,846,724	1,811,823	(34,901)
Interdistrict sources	14,734	28,707	28,707	-
Total Revenues	8,046,230	8,951,058	9,293,728	342,670
Expenditures:				
Current -				
Instruction -				
Added needs	4,228,367	4,438,634	4,627,051	(188,417)
Support Services -				
Pupil	2,535,543	2,578,874	2,508,302	70,572
Instructional staff	114,698	276,880	269,744	7,136
General administration	52,408	34,487	34,994	(507)
School administration	120,676	119,185	109,485	9,700
Business services	327,555	294,649	336,715	(42,066)
Operations and maintenance	218,043	204,850	192,720	12,130
Pupil transportation services	704,578	705,598	693,107	12,491
Central - Personnel services	320,605	378,564	379,777	(1,213)
Community Services	600	64,605	57,250	7,355
Interdistrict payments and other transactions	20,000	59,001	70,080	(11,079)
Capital Outlay	87,722	106,425	107,661	(1,236)
Total Expenditures	8,730,795	9,261,752	9,386,886	(125,134)
Excess of revenues under expenditures	<u>(684,565)</u>	<u>(310,694)</u>	<u>(93,158)</u>	<u>217,536</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(106,765)</u>	<u>(111,225)</u>	<u>(109,978)</u>	<u>1,247</u>
Net Change in Fund Balance	(791,330)	(421,919)	(203,136)	218,783
Fund Balance at beginning of year	<u>1,867,544</u>	<u>1,867,544</u>	<u>1,867,544</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,076,214</u>	<u>\$ 1,445,625</u>	<u>\$ 1,664,408</u>	<u>\$ 218,783</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - VOCATIONAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 972,453	\$ 1,004,086	\$ 1,050,905	\$ 46,819
State sources	286,400	360,696	355,552	(5,144)
Total Revenues	<u>1,258,853</u>	<u>1,364,782</u>	<u>1,406,457</u>	<u>41,675</u>
Expenditures:				
Current -				
Instruction -				
Added needs	673,402	678,408	677,347	1,061
Support Services -				
Pupil	48,777	51,011	51,011	-
Instructional staff	216,896	164,409	158,561	5,848
General administration	10,637	11,041	10,580	461
School administration	119,639	121,044	120,848	196
Business services	103,608	87,998	87,679	319
Operations and maintenance	62,683	67,097	68,301	(1,204)
Pupil transportation services	-	987	1,028	(41)
Central - Personnel services	124,284	181,400	165,987	15,413
Community Services	-	6,642	6,977	(335)
Capital Outlay	10,000	9,751	4,779	4,972
Total Expenditures	<u>1,369,926</u>	<u>1,379,788</u>	<u>1,353,098</u>	<u>26,690</u>
Excess of revenues over (under) expenditures	<u>(111,073)</u>	<u>(15,006)</u>	<u>53,359</u>	<u>68,365</u>
Other Financing Sources (Uses):				
Transfer In from component unit	103,618	103,618	103,618	-
Transfer In	-	71	72	1
Transfer Out	(8,679)	(8,440)	(8,299)	141
Total Other Financing Sources (Uses)	<u>94,939</u>	<u>95,249</u>	<u>95,391</u>	<u>142</u>
Net Change in Fund Balance	(16,134)	80,243	148,750	68,507
Fund Balance at beginning of year	<u>1,057,410</u>	<u>1,057,410</u>	<u>1,057,410</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,041,276</u>	<u>\$ 1,137,653</u>	<u>\$ 1,206,160</u>	<u>\$ 68,507</u>

OTHER SUPPLEMENTARY INFORMATION

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Debt Service Funds			Total
	Administration Building	Special Education Building	Technology Center Building '02	
ASSETS				
Cash and cash equivalents	<u>\$ 17</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 20</u>
LIABILITIES AND FUND BALANCES				
Fund Balances				
Reserved - Debt Service	<u>17</u>	<u>3</u>	<u>-</u>	<u>20</u>
Total Liabilities and Fund Balances	<u>\$ 17</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 20</u>

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Debt Service Funds			Total Nonmajor Governmental Funds
	Administration Building	Special Education Building	Technology Center Building '02	
Revenues:				
Local Revenues	\$ 1	\$ -	\$ 2	\$ 3
Expenditures:				
Debt Service -				
Principal retirement	30,000	40,000	-	70,000
Interest and fiscal charges	7,935	10,125		18,060
Total Expenditures	37,935	50,125	-	88,060
Excess of revenues over (under) expenditures	(37,934)	(50,125)	2	(88,057)
Other Financing Sources (Uses):				
Transfers In	37,935	50,125	-	88,060
Transfers Out	-		(72)	(72)
Total Other Financing Sources (Uses)	37,935	50,125	(72)	87,988
Net Change in Fund Balances	1	-	(70)	(69)
Fund balances at beginning of year	16	3	70	89
Fund balances at end of year	\$ 17	\$ 3	\$ -	\$ 20

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	Bio - Chemical RSA 2006	EDJT JOBS Fairway	Wagner - Peyser ES7a	Wagner - Peyser NWLb
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ (53,747)	\$ -
Accounts receivable	-	-	108	-
Due from other governmental units	-	160	90,489	76,421
Prepaid expenditures	-	-	412	-
Due from primary government	-	-	2,021	-
	<u>-</u>	<u>-</u>	<u>2,021</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 39,283</u>	<u>\$ 76,421</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ -	\$ 160	\$ 16,668	\$ 76,421
Accrued expenses	-	-	408	-
Contracts payable	-	-	14,738	-
Due to primary government	-	-	7,469	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>160</u>	<u>39,283</u>	<u>76,421</u>
Unreserved				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 39,283</u>	<u>\$ 76,421</u>

Food Assistance			State GF/GP		
Federal 2007	State 2007	Federal 2008	2007	2008	Expansion 2008
\$ -	\$ -	\$ (294)	\$ -	\$ 5,090	\$ (6,045)
-	-	8	-	25	19
-	-	6,754	-	22,802	40,802
-	-	29	-	94	72
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,497</u>	<u>\$ -</u>	<u>\$ 28,011</u>	<u>\$ 34,848</u>
\$ -	\$ -	\$ 555	\$ -	\$ 1,819	\$ 1,389
-	-	29	-	94	72
-	-	5,387	-	24,374	32,071
-	-	526	-	1,724	1,316
-	-	-	-	-	-
-	-	6,497	-	28,011	34,848
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,497</u>	<u>\$ -</u>	<u>\$ 28,011</u>	<u>\$ 34,848</u>

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	MPRI		Expansion	Perkins
	2007	2008	2008	2008
ASSETS				
Cash and cash equivalents	\$ -	\$ (4,249)	\$ -	\$ -
Accounts receivable	-	7	-	-
Due from other governmental units	-	80,250	-	108,810
Prepaid expenditures	-	28	-	-
Due from primary government	-	-	-	-
Total Assets	\$ -	\$ 76,036	\$ -	\$ 108,810
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ -	\$ 545	\$ -	\$ -
Accrued expenses	-	28	-	-
Contracts payable	-	74,946	-	104,253
Due to primary government	-	517	-	4,557
Deferred revenue	-	-	-	-
Total Liabilities		76,036	-	108,810
Unreserved				
Undesignated	-	-	-	-
Total Fund Balance	-	-	-	-
Total Liabilities and Fund Balance	\$ -	\$ 76,036	\$ -	\$ 108,810

REED TANF 2007	Tech Prep 2008	Trade Adjustment		WIA Administration	
		2007	2008	2005	2006
\$ -	\$ (418)	\$ -	\$ 35,258	\$ -	\$ (36,133)
-	-	-	24	-	-
-	42,448	-	23,528	-	36,133
-	1	-	93	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 42,031</u>	<u>\$ -</u>	<u>\$ 58,903</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 27	\$ -	\$ 20,329	\$ -	\$ -
-	1	-	92	-	-
-	35,547	-	36,792	-	-
-	6,456	-	1,690	-	-
-	-	-	-	-	-
-	42,031	-	58,903	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 42,031</u>	<u>\$ -</u>	<u>\$ 58,903</u>	<u>\$ -</u>	<u>\$ -</u>

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	Administration	WIA		Capacity
	2007	2006	2007	2007
ASSETS				
Cash and cash equivalents	\$ 20,573	\$ -	\$ (2,997)	\$ (2)
Accounts receivable	284	-	6	-
Due from other governmental units	19,689	-	48,753	2
Prepaid expenditures	1,081	-	22	-
Due from primary government	-	-	-	-
Total Assets	<u>\$ 41,627</u>	<u>\$ -</u>	<u>\$ 45,784</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 20,821	\$ -	\$ 425	\$ -
Accrued expenses	1,078	-	22	-
Contracts payable	-	-	44,934	-
Due to primary government	19,728	-	403	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>41,627</u>	<u>-</u>	<u>45,784</u>	<u>-</u>
Unreserved				
Undesignated	-	-	-	-
Total Fund Balance	-	-	-	-
Total Liabilities and Fund Balance	<u>\$ 41,627</u>	<u>\$ -</u>	<u>\$ 45,784</u>	<u>\$ -</u>

Dislocated Worker		WIA			Incumbent 2007
2007	2007	2005	NWLB 2006	2007	
\$ -	\$ (59,922)	\$ -	\$ -	\$ -	\$ (5,136)
-	14	-	-	-	18
-	152,526	-	-	-	93,582
-	52	-	-	-	68
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 92,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,532</u>
\$ -	\$ 992	\$ -	\$ -	\$ -	\$ 87,224
-	51	-	-	-	68
-	90,687	-	-	-	-
-	940	-	-	-	1,240
-	-	-	-	-	-
<u>-</u>	<u>92,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,532</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 92,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,532</u>

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	WIA			
	Service Center		Statewide NWLB	
	2006	2007	2006	2007
ASSETS				
Cash and cash equivalents	\$ -	\$ (6,276)	\$ -	\$ (930)
Accounts receivable	-	13	-	11
Due from other governmental units	-	21,925	-	21,963
Prepaid expenditures	-	51	-	42
Due from primary government	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 15,713</u>	<u>\$ -</u>	<u>\$ 21,086</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ -	\$ 14,733	\$ -	\$ 811
Accrued expenses	-	51	-	42
Contracts payable	-	-	-	19,464
Due to primary government	-	929	-	769
Deferred revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>15,713</u>	<u>-</u>	<u>21,086</u>
Unreserved				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 15,713</u>	<u>\$ -</u>	<u>\$ 21,086</u>

WIA					
Incentive 2006	TANF Replacement			Eaton 2008	Rapid Response Tecomseh Compress 2008
	2005	2006	2007		
\$ (67)	\$ -	\$ -	\$ (474)	\$ -	\$ 4
-	-	-	1	-	1
67	-	-	593	-	3,016
-	-	-	3	-	3
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 3,024</u>
\$ -	\$ -	\$ -	\$ 62	\$ -	\$ 2,963
-	-	-	3	-	3
-	-	-	-	-	-
-	-	-	58	-	58
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>123</u>	<u>-</u>	<u>3,024</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 3,024</u>

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING BALANCE SHEET
JUNE 30, 2008**

		WIA		
	Rapid Response 21st Century (TA) 2007	Youth		WORKFIRST 2007
		2006	2007	
ASSETS				
Cash and cash equivalents	\$ 118,756	\$ -	\$ (81,763)	\$ -
Accounts receivable	41	-	6	-
Due from other governmental units	-	-	172,116	-
Prepaid expenditures	157	-	22	-
Due from primary government	-	-	-	-
Total Assets	<u>\$ 118,954</u>	<u>\$ -</u>	<u>\$ 90,381</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
Accounts payable	\$ 3,158	\$ -	\$ 425	\$ -
Accrued expenses	157	-	22	-
Contracts payable	73,194	-	89,531	-
Due to primary government	2,865	-	403	-
Deferred revenue	<u>39,580</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>118,954</u>	<u>-</u>	<u>90,381</u>	<u>-</u>
Unreserved				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 118,954</u>	<u>\$ -</u>	<u>\$ 90,381</u>	<u>\$ -</u>

<u>JET</u> <u>2008</u>	<u>Total</u>
\$ (47,226)	\$ (125,998)
77	663
170,009	1,232,838
291	2,521
-	2,021
<u>\$ 123,151</u>	<u>\$ 1,112,045</u>
\$ 5,599	\$ 255,126
290	2,511
111,957	757,875
5,305	56,953
-	39,580
<u>123,151</u>	<u>1,112,045</u>
-	-
-	-
<u>\$ 123,151</u>	<u>\$ 1,112,045</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
JUNE 30, 2008

Fund balances - total governmental funds	\$	-
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Amounts reported for Component unit activities in the statement of net assets are different because:

Capital assets used in South Central Michigan Works activities are not financial resources, and therefore are not reported in the governmental funds:

Capital assets	878,301	
Accumulated depreciation	<u>(479,939)</u>	398,362

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Capital lease	<u>(1,481)</u>	
---------------	----------------	--

Net assets of governmental activities	<u>\$</u>	<u>396,881</u>
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**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2008**

	Bio - Chemical RSA 2006	EDJT JOBS Fairway	Wagner - Peyser ES7a	Wagner - Peyser NWLB
Revenues:				
Federal sources	\$ 10,343	\$ -	\$ 438,481	\$ 76,421
State sources	-	1,600	-	-
	<u>10,343</u>	<u>1,600</u>	<u>438,481</u>	<u>76,421</u>
Total Revenues	<u>10,343</u>	<u>1,600</u>	<u>438,481</u>	<u>76,421</u>
Expenditures:				
Administration	113	1,600	57,693	11,463
Administration - Contractor	-	-	-	-
Training related and program	10,230	-	380,788	64,958
	<u>10,343</u>	<u>1,600</u>	<u>438,481</u>	<u>76,421</u>
Total Expenditures	<u>10,343</u>	<u>1,600</u>	<u>438,481</u>	<u>76,421</u>
Excess of revenues over expenditures	-	-	-	-
Other Financing Uses:				
Transfers to primary government	-	-	-	-
Net change in fund balance	-	-	-	-
Fund Balances at beginning of year	-	-	-	-
Fund Balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Food Assistance			State GF/GP		
Federal 2007	State 2007	Federal 2008	2007	2008	Expansion 2008
\$ 17,735	\$ -	\$ 46,390	\$ -	\$ -	\$ -
-	50	-	21,298	54,909	40,892
17,735	50	46,390	21,298	54,909	40,892
2,583	-	7,275	-	14,496	4,017
-	-	-	-	-	-
15,152	50	39,115	21,298	40,413	36,875
17,735	50	46,390	21,298	54,909	40,892
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2008

	MPRI			Perkins
	2007	2008	Expansion 2008	2008
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ 589,690
State sources	159,652	455,488	3,626	-
Total Revenues	<u>159,652</u>	<u>455,488</u>	<u>3,626</u>	<u>589,690</u>
Expenditures:				
Administration	21,727	68,738	-	29,484
Administration - Contractor	-	-	-	-
Training related and program	137,925	386,750	3,626	471,753
Total Expenditures	<u>159,652</u>	<u>455,488</u>	<u>3,626</u>	<u>501,237</u>
Excess of revenues over expenditures	-	-	-	88,453
Other Financing Uses:				
Transfers to primary government	-	-	-	(88,453)
Net change in fund balances	-	-	-	-
Fund Balances at beginning of year	-	-	-	-
Fund Balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REED TANF 2007	Tech Prep 2008	Trade Adjustment		WIA Administration	
		2007	2008	2005	2006
\$ 5,518	\$ 150,891	\$ 264,659	\$ 1,095,152	\$ 1,754	\$ 328,196
-	-	-	-	-	-
5,518	150,891	264,659	1,095,152	1,754	328,196
-	7,544	9,302	43,453	1,754	328,196
-	-	14,758	59,054	-	-
5,518	128,182	240,599	992,645	-	-
5,518	135,726	264,659	1,095,152	1,754	328,196
-	15,165	-	-	-	-
-	(15,165)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2008**

	WIA			Capacity 2007
	2007	Adult 2006	2007	
Revenues:				
Federal sources	\$ 21,035	\$ 308,185	\$ 928,612	\$ 23,995
State sources	-	-	-	-
Total Revenues	21,035	308,185	928,612	23,995
Expenditures:				
Administration	21,035	-	-	475
Administration - Contractor	-	-	-	-
Training related and program	-	308,185	928,612	23,520
Total Expenditures	21,035	308,185	928,612	23,995
Excess of revenues over expenditures	-	-	-	-
Other Financing Uses:				
Transfers to primary government	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances at beginning of year	-	-	-	-
Fund Balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WIA					
Dislocated Worker		NWLB			Incumbent
2007	2007	2005	2006	2007	2007
\$ 297,734	\$ 1,277,669	\$ 15,786	\$ 63,505	\$ 47,573	\$ 137,231
-	-	-	-	-	-
297,734	1,277,669	15,786	63,505	47,573	137,231
-	-	-	-	-	13,168
-	-	-	-	-	-
297,734	1,277,669	15,786	63,505	47,573	124,063
297,734	1,277,669	15,786	63,505	47,573	137,231
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2008**

	WIA			
	One Stop Operations		Statewide NWLB	
	2006	2007	2006	2007
Revenues:				
Federal sources	\$ 9,850	\$ 106,346	\$ 61,197	\$ 50,581
State sources	-	-	-	-
Total Revenues	9,850	106,346	61,197	50,581
Expenditures:				
Administration	1,712	11,486	6,120	4,924
Administration - Contractor	-	-	-	-
Training related and program	8,138	94,860	55,077	45,657
Total Expenditures	9,850	106,346	61,197	50,581
Excess of revenues over expenditures	-	-	-	-
Other Financing Uses:				
Transfers to primary government	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances at beginning of year	-	-	-	-
Fund Balances at end of year	\$ -	\$ -	\$ -	\$ -

WIA

Incentive 2006	TANF Replacement			Eaton 2008	Rapid Response Tecumseh Compress 2008
	2005	2006	2007		
\$ 11,986	\$ 25,936	\$ 87,077	\$ 110,961	\$ 9,239	\$ 8,408
-	-	-	-	-	-
11,986	25,936	87,077	110,961	9,239	8,408
718	2,594	8,708	11,029	1,124	882
-	-	-	-	-	-
11,268	23,342	78,369	99,932	8,115	7,526
11,986	25,936	87,077	110,961	9,239	8,408
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2008

	WIA			
	Rapid Response 21st Century (TA) 2007	Youth		WORKFIRST 2007
		2006	2007	
Revenues:				
Federal sources	\$ 781,336	\$ 274,965	\$ 843,426	\$ 417,736
State sources	-	-	-	-
Total Revenues	781,336	274,965	843,426	417,736
Expenditures:				
Administration	37,980	-	-	105,149
Administration - Contractor	35,084	-	-	-
Training related and program	708,272	274,965	843,426	312,587
Total Expenditures	781,336	274,965	843,426	417,736
Excess of revenues over expenditures	-	-	-	-
Other Financing Uses:				
Transfers to primary government	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances at beginning of year	-	-	-	-
Fund Balances at end of year	\$ -	\$ -	\$ -	\$ -

<u>JET</u> <u>2008</u>	<u>Total</u>
\$ 1,296,604	\$ 10,242,203
-	737,515
<u>1,296,604</u>	<u>10,979,718</u>
55,022	891,564
-	108,896
<u>1,241,582</u>	<u>9,875,640</u>
<u>1,296,604</u>	<u>10,876,100</u>
-	103,618
<u>-</u>	<u>(103,618)</u>
-	-
-	-
<u>\$ -</u>	<u>\$ -</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SOUTH CENTRAL MICHIGAN WORKS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008

Net change in fund balances - total governmental funds		\$ -
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated lives as depreciation:		
Capital outlay	88,690	
Depreciation expense	<u>(119,031)</u>	(30,341)
Repayment of lease installment is an expenditure in the component unit but not in the statement of activities (where it reduces long-term debt):		<u>12,878</u>
Change in net assets of governmental activities		<u><u>\$ (17,463)</u></u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Hillsdale County Intermediate School District
Hillsdale, Michigan

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Hillsdale County Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Hillsdale County Intermediate School District's basic financial statements and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hillsdale County Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below.

2008-1 BUDGETS

Condition: As noted in the financial statements, there were some expenditure functions in the General Education Fund, Special Education Fund and Vocational Education Fund where actual expenditures exceeded the amounts appropriated. While these overages did not appear to be material to the financial statements as a whole, they were still noted budget overages that new professional standards require us to report on.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District had some instances of budgetary noncompliance relative to State law in the areas where the overages occurred.

Recommendation: We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The General Education Fund had two (2) function categories exceeding the budgeted amount in excess of 10% but overall the fund came in under budget for the year. The Special Education Fund had two (2) function categories exceeding the budgeted amount in excess of 10%, with the largest amount due to an unexpected adjustment with a service provider at year end. The Vocational Education Fund had no function categories exceeding the budgeted amounts in excess of 10% and came in under budget for the year. In order to reduce the number of actual expenditures exceeding budgeted amounts the District has moved to a new software program which should allow it to monitor the budgeted line items more closely and the District will make a greater effort to budget more closely for year-end amendments in June.

The District's response to the finding identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the Board of Education of Hillsdale County Intermediate School District, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 13, 2008

Hillsdale County Intermediate School District

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2008

Hillsdale County Intermediate School District

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Principals

Dale J. Abraham, CPA
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Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Hillsdale County Intermediate School District
Hillsdale, Michigan

Compliance

We have audited the compliance of Hillsdale County Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major Federal programs for the year ended June 30, 2008. Hillsdale County Intermediate School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs are the responsibility of Hillsdale County Intermediate School District's administration. Our responsibility is to express an opinion on Hillsdale County Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal programs occurred. An audit includes examining, on a test basis, evidence about Hillsdale County Intermediate School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hillsdale County Intermediate School District's compliance with those requirements.

In our opinion, Hillsdale County Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The administration of Hillsdale County Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Hillsdale County Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hillsdale County Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 13, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively compromise Hillsdale County Intermediate School District's basic financial statements. The accompanying schedule of expenditures of Federal awards and schedule of expenditures of federal awards provided to subrecipients are presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education and administration of Hillsdale County Intermediate School District, the pass-through grantors, and the U.S. Departments of Agriculture, Labor, Health and Human Services and Education and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 13, 2008

HILLSDALE COUNTY I.S.D.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE June 30, 2008
U.S. DEPARTMENT OF AGRICULTURE - <i>Passed through Michigan Department of Education</i>							
USDA Commodities - Entitlement Commodities	10.550	\$ 1,570	\$ -	\$ -	\$ 2,226	\$ 2,226 (a)	\$ -
Nutrition Cluster -							
National Breakfast Program (e)	10.553						
081970 2007-2008 Program		5,840	-	-	5,840	5,840	-
071970 2006-2007 Program		7,199	-	5,345	1,854	1,854	-
		<u>13,039</u>	<u>-</u>	<u>5,345</u>	<u>7,694</u>	<u>7,694</u>	<u>-</u>
National School Lunch Program (e)	10.555						
Sec. 4 - All Lunches -							
081950 2007-2008 Program		1,709	-	-	1,709	1,709	-
071950 2006-2007 Program		1,955	-	1,664	291	291	-
Sec. 11 - Free and Reduced							
081960 2007-2008 Program		13,080	-	-	13,080	13,080	-
071960 2006-2007 Program		14,742	-	13,047	1,695	1,695	-
		<u>31,486</u>	<u>-</u>	<u>14,711</u>	<u>16,775</u>	<u>16,775</u>	<u>-</u>
Total Nutrition Cluster		<u>44,525</u>	<u>-</u>	<u>20,056</u>	<u>24,469</u>	<u>24,469</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>46,095</u>	<u>-</u>	<u>20,056</u>	<u>26,695</u>	<u>26,695</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION - <i>Passed through Michigan Department of Education -</i>							
Title I - Part A -	84.010						
081530-0708		94,983	-	-	65,023	60,959	4,064
061530-0506		49,853	9,813	97,744	-	9,813	-
071530-0607		95,985	21,257	60,277	35,708	56,965	(0)
		<u>240,821</u>	<u>31,070</u>	<u>158,021</u>	<u>100,731</u>	<u>127,737</u>	<u>4,064</u>
Title I - Part D -	84.013						
081700-0708		36,987	-	-	36,987	34,468	2,519
061700-0607		27,868	1,000	27,868	-	1,000	-
071700-0607		36,945	8,659	16,543	-	8,659	-
		<u>101,800</u>	<u>9,659</u>	<u>44,411</u>	<u>36,987</u>	<u>44,127</u>	<u>2,519</u>

**HILLSDALE COUNTY I.S.D.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>APPROVED GRANT AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE JULY 1, 2007</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS (CASH BASIS)</u>	<u>ACCRUED (DEFERRED) REVENUE June 30, 2008</u>
U.S. DEPARTMENT OF EDUCATION - CONTINUED							
<i>Passed through Michigan Department of Education - continued</i>							
Special Education Cluster -							
Handicapped - Preschool and							
School Children - (d)(f)	84.027A						
PL 94-142 Flow through -							
080450-0708		\$ 1,437,433	\$ -	\$ -	\$ 1,437,433	\$ 1,227,365	\$ 210,068
070450-0607		1,438,001	336,555	1,438,001	-	336,555	-
State Initiated/Competitive -							
080480 EOSD		50,000	-	-	50,000	46,480	3,520
070480 EOSD		50,000	27,920	50,000	-	27,920	-
State Initiated Departments -							
080490 TS		50,000	-	-	47,881	40,732	7,149
070490 TS		60,000	4,613	49,502	-	4,613	-
Service Provider Self Review -							
080440-0708 SPSR		4,000	-	-	1,594	988	606
		<u>3,089,434</u>	<u>369,088</u>	<u>1,537,503</u>	<u>1,536,908</u>	<u>1,684,653</u>	<u>221,343</u>
Preschool Grant -							
Special Ed Preschool - (d)(f)	84.173A						
080460-0708		62,812	-	-	62,812	53,743	9,069
		<u>62,812</u>	<u>-</u>	<u>-</u>	<u>62,812</u>	<u>53,743</u>	<u>9,069</u>
Total Special Education Cluster passed through the Michigan Department of Education		<u>3,152,246</u>	<u>369,088</u>	<u>1,537,503</u>	<u>1,599,720</u>	<u>1,738,396</u>	<u>230,412</u>
Infant & Toddler Formula GT	84.181A						
081340-190		117,612	-	-	111,710	93,964	17,746
061340-190		123,648	2,829	123,648	-	2,829	-
071340-190		120,964	38,388	108,415	12,549	50,937	-
Total		<u>362,224</u>	<u>41,217</u>	<u>232,063</u>	<u>124,259</u>	<u>147,730</u>	<u>17,746</u>
Title V LEA Allocation -	84.298						
Title V Part A Innovative -							
080250/0708		305	-	-	305	29	276
071700/0607		262	235	262	-	235	-
		<u>567</u>	<u>235</u>	<u>262</u>	<u>305</u>	<u>264</u>	<u>276</u>

**HILLSDALE COUNTY I.S.D.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE GRANT NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>APPROVED GRANT AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE JULY 1, 2007</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS (CASH BASIS)</u>	<u>ACCRUED (DEFERRED) REVENUE June 30, 2008</u>
U.S. DEPARTMENT OF EDUCATION - CONTINUED							
<i>Passed through Michigan Department of Education - continued</i>							
Improving Teacher Quality -	84.367						
Title II Part A Teacher -							
080520/0708		\$ 594	\$ -	\$ -	\$ 594	\$ 594	\$ -
070520/0607		594	592	592	2	594	(0)
		<u>1,188</u>	<u>592</u>	<u>592</u>	<u>596</u>	<u>1,188</u>	<u>(0)</u>
 Direct	84.358A						
Rural School Achievement Program -							
PR/Award S35A076019		39,738	-	-	-	-	-
PR/Award S35A066019		42,841	-	-	19,284	17,659	1,625
PR/Award S35A056019		45,532	14,219	14,219	31,313	45,532	(0)
		<u>128,111</u>	<u>14,219</u>	<u>14,219</u>	<u>50,597</u>	<u>63,191</u>	<u>1,625</u>
 TOTAL U.S. DEPARTMENT OF EDUCATION		<u>3,986,957</u>	<u>466,080</u>	<u>1,987,071</u>	<u>1,913,194</u>	<u>2,122,633</u>	<u>256,642</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed Through the Michigan Department of Human Services-							
Strong Families Safe Children-	93.556						
SFSC-08-30001		5,938	-	-	-	-	-
 Passed Through Michigan Department of Community Health							
Administrative Outreach	93.778	62,815	-	-	62,815	62,815	-
 TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>68,752</u>	<u>-</u>	<u>-</u>	<u>62,815</u>	<u>62,815</u>	<u>-</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE- PRIMARY GOVERNMENT		<u>\$ 4,101,804</u>	<u>\$ 466,080</u>	<u>\$ 2,007,127</u>	<u>\$ 2,002,704</u>	<u>\$ 2,212,142</u>	<u>\$ 256,642</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCMW
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE June 30, 2008
U.S. DEPARTMENT OF AGRICULTURE -							
Passed Through Michigan Department of Labor and Economic Growth State Administrative Foundation for Food Stamp Program -	10.561						
Employment Training - 9/30/2007		\$ 117,058	\$ 2,242	\$ 18,176	\$ -	\$ 2,242	\$ -
Employment Training Carryover - 9/30/2007		17,735	-	-	17,735	17,735	-
Employment Training - 9/30/2008		76,200	-	-	46,389	39,599	6,790
		<u>210,993</u>	<u>2,242</u>	<u>18,176</u>	<u>64,124</u>	<u>59,576</u>	<u>6,790</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>210,993</u>	<u>2,242</u>	<u>18,176</u>	<u>64,124</u>	<u>59,576</u>	<u>6,790</u>
U.S. DEPARTMENT OF LABOR -							
Passed Through Michigan Department of Labor and Economic Growth Employment Services -	17.207						
Wagner - Peyser - ES7A (6/30/08)		558,043	-	-	438,481	347,482	90,999
ES7a - NWLB (6/30/08)		76,421	-	-	76,421	-	76,421
		<u>634,464</u>	<u>-</u>	<u>-</u>	<u>514,902</u>	<u>347,482</u>	<u>167,420</u>
Reed Act -	17.225						
TANF - Carryover 2005-2006 (9/30/06)		5,518	-	-	5,518	5,518	-
		<u>5,518</u>	<u>-</u>	<u>-</u>	<u>5,518</u>	<u>5,518</u>	<u>-</u>
Trade Adjustment Assistance Workers -	17.245						
Trade (9/30/07)		1,025,040	260,203	779,464	-	260,203	-
Trade - Carryover (9/30/07)		264,659	-	-	264,659	264,659	-
Trade (9/30/08)		1,095,152	-	-	1,095,152	1,071,509	23,643
		<u>2,384,851</u>	<u>260,203</u>	<u>779,464</u>	<u>1,359,811</u>	<u>1,596,371</u>	<u>23,643</u>
Workforce Investment Act Cluster - (d)(g)	17.258/.259/.260						
WIA Administration -							
2006		363,382	12,242	42,242	-	12,242	-
AY 05		1,754	-	-	1,754	1,754	-
AY 06		328,196	-	-	328,196	292,063	36,133
AY 07		403,737	-	-	21,035	-	21,035
		<u>1,097,069</u>	<u>12,242</u>	<u>42,242</u>	<u>350,985</u>	<u>306,059</u>	<u>57,168</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCMW
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE June 30, 2008
U.S. DEPARTMENT OF LABOR - CONTINUED							
Passed Through Michigan Department of Labor and Economic Growth - continued							
WIA State Wide -							
Capacity Building - 2006		\$ 72,000	\$ 3	\$ 72,000	\$ -	\$ 3	\$ -
Capacity Building - 2007		24,000	-	-	23,995	23,993	2
Service Center/One Stop Operations 2006		117,807	77,957	107,957	-	77,957	-
Service Center/One Stop Operations AY 06		9,850	-	-	9,850	9,850	-
Service Center/One Stop Operations AY 07		121,542	-	-	106,346	84,358	21,988
Statewide NWLB AY 06		61,197	-	-	61,197	61,197	-
Statewide NWLB AY 07		50,788	-	-	50,581	28,566	22,015
Statewide (TANF) - 2005		25,936	-	-	25,936	25,936	-
Statewide (TANF) - 2006		87,077	-	-	87,077	87,077	-
Statewide (TANF) - 2007		111,035	-	-	110,961	110,364	597
Statewide Career Advancement AY07		73,933	-	-	-	-	-
		<u>755,165</u>	<u>77,960</u>	<u>179,957</u>	<u>475,943</u>	<u>509,301</u>	<u>44,602</u>
Performance Incentive -							
2007		<u>11,999</u>	<u>-</u>	<u>-</u>	<u>11,986</u>	<u>11,919</u>	<u>67</u>
Regional Skill Alliance -							
Manufacturing		<u>79,750</u>	<u>23,364</u>	<u>61,740</u>	<u>-</u>	<u>23,364</u>	<u>-</u>
WIA Incumbent Worker -							
2006		89,904	871	89,871	-	871	-
2007		<u>149,240</u>	<u>-</u>	<u>-</u>	<u>137,231</u>	<u>43,564</u>	<u>93,667</u>
		<u>239,144</u>	<u>871</u>	<u>89,871</u>	<u>137,231</u>	<u>44,435</u>	<u>93,667</u>
WIA Adult - (d)(g) 17.258							
2006 (6/30/07)		1,060,441	58,534	752,256	-	58,534	-
AY 06		308,185	-	-	308,185	308,185	-
AY 07		<u>1,100,121</u>	<u>-</u>	<u>-</u>	<u>928,612</u>	<u>879,832</u>	<u>48,780</u>
		<u>2,468,747</u>	<u>58,534</u>	<u>752,256</u>	<u>1,236,797</u>	<u>1,246,551</u>	<u>48,780</u>
WIA Youth - (d)(g) 17.259							
2006 (6/30/07)		998,794	150,478	723,829	-	150,478	-
2006 Carryover		274,965	-	-	274,965	274,965	-
2007 (6/30/08)		<u>997,763</u>	<u>-</u>	<u>-</u>	<u>843,426</u>	<u>671,282</u>	<u>172,144</u>
		<u>2,271,522</u>	<u>150,478</u>	<u>723,829</u>	<u>1,118,391</u>	<u>1,096,725</u>	<u>172,144</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCMW
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE June 30, 2008
U.S. DEPARTMENT OF LABOR - CONTINUED							
Passed Through Michigan Department of Labor and Economic Growth - continued							
WIA Dislocated Worker - (d)(g)	17.260						
2006 (6/30/07)		\$ 1,214,930	\$ 133,755	\$ 917,196	\$ -	\$ 133,755	\$ -
AY 06		297,734	-	-	297,734	297,734	-
AY 07		1,409,646	-	-	1,277,669	1,125,079	152,590
		<u>2,922,310</u>	<u>133,755</u>	<u>917,196</u>	<u>1,575,403</u>	<u>1,556,568</u>	<u>152,590</u>
WIA Dislocated Worker - (d)(g)	17.260						
21st Century Technical Assistance		1,000,000	209,124	822,888	-	209,124	-
21st Century Technical Assistance (6/30/08)		1,000,000	-	-	781,336	820,721	(39,385)
		<u>2,000,000</u>	<u>209,124</u>	<u>822,888</u>	<u>781,336</u>	<u>1,029,845</u>	<u>(39,385)</u>
WIA Dislocated Worker - (d)(g)	17.260						
Rapid Response		37,219	2,218	24,022	-	2,218	-
Rapid Response - Tecumseh Compressor		12,018	-	-	8,408	5,388	3,020
Rapid Response - Eaton Aerospace		13,778	-	-	9,239	9,239	-
Nat'l Reserve Program S-DW Scholarships		60,465	25,463	60,638	-	25,463	-
Nat'l Reserve Admin C-21st Century Workforce		50,000	1,311	50,000	-	1,311	-
Type C NWLB AY05		15,786	-	-	15,786	15,786	-
Type C NWLB AY06		63,505	-	-	63,505	63,505	-
Type C NWLB AY07		47,574	-	-	47,574	47,574	-
RSA Bio Chem		18,010	-	-	10,343	10,343	-
		<u>318,355</u>	<u>28,992</u>	<u>134,660</u>	<u>154,855</u>	<u>180,827</u>	<u>3,020</u>
Total Workforce Investment Act Cluster		<u>12,164,061</u>	<u>695,320</u>	<u>3,724,639</u>	<u>5,842,927</u>	<u>6,005,594</u>	<u>532,653</u>
TOTAL U.S. DEPARTMENT OF LABOR		<u>15,188,894</u>	<u>955,523</u>	<u>4,504,103</u>	<u>7,723,158</u>	<u>7,954,965</u>	<u>723,716</u>
U.S. DEPARTMENT OF EDUCATION -							
Passed Through Michigan Department of Labor and Economic Growth							
Vocational Education Basic Grants to States - Carl D. Perkins -	84.048A						
2006-2007 - 073520 - 7012-22		589,746	153,747	589,746	-	153,747	-
2007-2008 - 083520 - 8012-22		589,690	-	-	589,690	480,880	108,810
		<u>1,179,436</u>	<u>153,747</u>	<u>589,746</u>	<u>589,690</u>	<u>634,627</u>	<u>108,810</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCMW
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR PASS THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	ACCRUED (DEFERRED) REVENUE June 30, 2008
U.S. DEPARTMENT OF EDUCATION - CONTINUED							
Passed Through Michigan Department of Labor and Economic Growth - continued							
Tech - Prep - Education -	84.243						
Career Prep Grant -							
2006-2007 - 073540		\$ 141,276	\$ 32,966	\$ 141,276	\$ -	\$ 32,966	\$ -
2007-2008 - 083540		150,891	-	-	150,891	108,441	42,450
		<u>292,167</u>	<u>32,966</u>	<u>141,276</u>	<u>150,891</u>	<u>141,407</u>	<u>42,450</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>1,471,603</u>	<u>186,713</u>	<u>731,022</u>	<u>740,581</u>	<u>776,034</u>	<u>151,260</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed Through Michigan Department of Labor and Economic Growth							
Temporary Assistance for Needy Families -	93.558						
Workfirst - 2004-2005 (9/30/05)		1,708,193	44,771	1,290,436	-	44,771	-
Workfirst - 2006-2007 (9/30/07)		417,736	-	-	417,736	417,736	-
JET - 2007-2008 (9/30/08)		1,669,042	-	-	1,296,604	1,126,233	170,371
		<u>3,794,971</u>	<u>44,771</u>	<u>1,290,436</u>	<u>1,714,340</u>	<u>1,588,740</u>	<u>170,371</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>3,794,971</u>	<u>44,771</u>	<u>1,290,436</u>	<u>1,714,340</u>	<u>1,588,740</u>	<u>170,371</u>
Total Federal Financial Assistance - Component Unit		<u>20,666,461</u>	<u>1,189,249</u>	<u>6,543,737</u>	<u>10,242,203</u>	<u>10,379,315</u>	<u>1,052,137</u>
Total Federal Financial Assistance - Reporting Entity		<u>\$ 24,768,265</u>	<u>\$ 1,655,329</u>	<u>\$ 8,550,864</u>	<u>\$ 12,244,907</u>	<u>\$ 12,591,457</u>	<u>\$ 1,308,778</u>
					(b)	(c)	

See Notes to Schedule of Expenditures of Federal Awards.

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass Through Grantor / Program Title and Subrecipient	Federal CFDA Number	Award/ Contract Amount	Current Year Expenditures
PRIMARY GOVERNMENT			
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Michigan Department of Community Health - <i>Administrative Outreach -</i>	93.778		
Camden - Frontier Schools		\$ 3,753	\$ 3,753
Hillsdale Schools		20,535	20,535
Jonesville Schools		2,588	2,588
Litchfield Schools		1,770	1,770
North Adams - Jerome Schools		1,938	1,938
Pittsford Schools		3,256	3,256
Reading Schools		5,435	5,435
Waldron Schools		1,982	1,982
		<u>41,256</u>	<u>41,256</u>
<i>USDA Commodities</i>	10.550		
Hillsdale Community School		1,570	2,226
		<u>1,570</u>	<u>2,226</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>42,826</u>	<u>43,482</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Michigan Department of Education - <i>Title I - Part A</i>	84.010		
The Manor (071530)		87,379	32,506
The Manor (081530)		87,333	59,786
		<u>87,333</u>	<u>59,786</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>174,712</u>	<u>92,292</u>
Total Primary Government		<u>\$ 217,538</u>	<u>\$ 135,774</u>

COMPONENT UNIT			
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Michigan Department of Labor and Economic Growth - State Administrative Foundation For Food - <i>Food Stamp Employment and Training</i>	10.561		
HRDI 9/30/07		\$ 88,334	\$ 14,639
Lenawee Chamber 9/30/07		887	154
HCIDC 9/30/07		872	82
Enterprise 9/30/07		458	104
JAMA 9/30/07		727	173
HRDI 9/30/08		60,000	39,114
		<u>60,000</u>	<u>39,114</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>151,278</u>	<u>54,266</u>

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass Through Grantor / Program Title and Subrecipient	Federal CFDA Number	Award/ Contract Amount	Current Year Expenditures
COMPONENT UNIT - CONTINUED			
U.S. DEPARTMENT OF LABOR -			
Passed Through Michigan Department of Career Development - <i>Employment Service - ES7A / NWLB</i> Jackson Community College	17.207	\$ 131,870	\$ 131,870
<i>Reed Act - TANF</i> HRDI 9/30/07	17.225	5,519	5,519
<i>Trade Adjustment Assistance Workers -</i> Jackson Community College 9/30/07 Jackson Community College 9/30/08	17.245	949,202 65,709 1,014,911	240,599 59,054 299,653
<i>Statewide NWLB</i> HRDI AY06 HRDI AY07	17.258/259/260	55,077 45,709 100,787	55,077 45,657 100,734
<i>WIA Adult</i> HRDI HCIDC Lenawee Chamber JAMA Enterprise Group JCC	17.258	1,003,135 11,940 12,875 14,925 8,955 148,760 1,200,590	1,003,135 10,826 11,540 13,704 8,223 148,760 1,196,188
<i>WIA Youth</i> HRDI HCIDC Jackson Community College JAMA Lenawee Chamber Enterprise Group	17.259	845,453 11,970 141,989 14,963 12,908 8,978 1,036,260	608,182 10,421 150,106 12,598 10,517 7,559 799,383
<i>WIA Dislocated Worker / Type C NWLB</i> HRDI HCIDC Jackson Community College JAMA Lenawee Chamber Enterprise Group	17.260	1,284,919 18,192 215,795 22,740 19,617 13,644 1,574,907	1,046,764 14,460 201,696 18,893 15,539 11,336 1,308,689
TOTAL U.S. DEPARTMENT OF LABOR		4,927,455	3,704,647

HILLSDALE COUNTY INTERMEDIATE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass Through Grantor / Program Title and Subrecipient	Federal CFDA Number	Award/ Contract Amount	Current Year Expenditures
COMPONENT UNIT - CONTINUED			
U.S. DEPARTMENT OF EDUCATION			
Passed Through Michigan Department of Labor and Economic Growth			
<i>Tech Prep</i>	84.243		
Jackson Community College		\$ 37,722	\$ 37,722
Jackson Intermediate School		57,097	57,097
Hillsdale Intermediate School		15,165	15,165
Lenawee Intermediate School		33,363	33,363
		<u>143,347</u>	<u>143,347</u>
 <i>Carl D. Perkins</i>			
Jackson Intermediate School	84.048	306,639	306,639
Hillsdale Intermediate School		88,453	88,453
Lenawee Intermediate School		194,598	194,598
		<u>589,690</u>	<u>589,690</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>733,037</u>	<u>733,037</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Michigan Department of Labor and Economic Growth			
Temporary Assistance for Needy Families - <i>Workfirst - 9/30/07</i>	93.558		
HRDI		723,814	224,456
Lenawee Chamber		56,715	10,553
HCIDC		56,181	5,625
JAMA		47,497	11,825
Enterprise Group		29,491	7,095
JCC		384,050	30,791
		<u>1,297,748</u>	<u>290,345</u>
 <i>JET - 9/30/08</i>			
HRDI		1,264,154	689,063
Lenawee Chamber		19,300	14,656
HCIDC		17,898	15,373
JAMA		22,373	17,807
Enterprise Group		13,424	10,684
JCC		212,308	177,364
		<u>1,549,455</u>	<u>924,946</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>2,847,203</u>	<u>1,215,291</u>
Total Federal Financial Assistance Passed Through to Subrecipients from Component Unit		<u>8,658,973</u>	<u>5,707,242</u>
Total Federal Financial Assistance Passed Through to Subrecipients from Reporting Entity		<u>\$ 8,876,511</u>	<u>\$ 5,843,016</u>

Hillsdale County Intermediate School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Hillsdale County Intermediate School District and its component unit South Central Michigan Works. The schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year revenues for the Food Donation Program are determined based on the 2002/03 guidance provided previously from the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the District's reported amounts. The amount of out of conditioned commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amounts reported in this schedule as cash received are in agreement with the current payment amounts in the Grants Section Auditor's Report and/or Grant Auditor Report with the exception of the following programs:

<u>Program</u>	<u>Amount from Grant Auditor Report</u>	<u>Amount from Schedule of Expenditures of Federal Awards</u>	<u>Variance</u>
Special Education IDEA (060480/0506)	\$ 50,000	\$ -	\$ 50,000 ⁽¹⁾
Special Education IDEA (060490/0506)	58,046	-	58,046 ⁽¹⁾
Perkins (073520/0607)	2,509,118	153,747	2,355,371 ⁽²⁾
Tech Prep (073540/0607)	82,966	32,966	50,000 ⁽²⁾
Early On (081340/0708)	-	93,964	(93,964) ⁽³⁾
	<u>\$ 2,700,130</u>	<u>\$ 280,677</u>	<u>\$ 2,419,453</u>

- (1) These variances are due to the fact that these amounts that are reported on the Grant Auditor Report as current year payments actually were received by the District in prior years.
- (2) These variances are due to the fact that the amounts that are reported on the Grant Auditor Report as current year payments are incorrect (i.e., the cumulative payment amounts did reconcile to District which confirms accuracy of District amounts).
- (3) This variance is due to the fact that the District received amount in grant drawdowns during the year ended June 30, 2008, however this was not reported on the Grant Auditor Report.

- (d) Denotes programs tested as "major program".
- (e) Denotes programs required to be clustered by the United States Department of Agriculture.
- (f) Denotes programs required to be clustered by the United States Department of Education.
- (g) Denotes programs required to be clustered by the United States Department of Labor.

Hillsdale County Intermediate School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2008

NOTE C: SUBRECIPIENTS

Hillsdale County ISD as an Intermediate School District passes through federal revenue received from the Michigan Department of Education to Local School Districts. Also, as a Michigan Works Agency, that administers employment and training programs for the Michigan Department of Labor and Economic Growth, Hillsdale County ISD passes funds through to service providers (subrecipients) who provide the actual program services. As a result of the extensive amount of pass-through funding and per requirement of the Michigan Department of Education, the Federal funds passed through to subrecipients has been reported on a Schedule of Expenditures of Federal Awards Provided to Subrecipients.

NOTE D: GRANTS PASSED THROUGH COMPONENT UNIT TO PRIMARY GOVERNMENT

For reporting purposes, two grant programs resulted in the Component Unit (South Central Michigan Works) reimbursing the Primary Government (Hillsdale County ISD) as a subrecipient. The following amounts were not recorded on the Schedule of Expenditures of Federal Awards in the Primary Government as an expenditure and corresponding grant revenue so that the Schedule of Expenditures of Federal Awards did not duplicate expenditures for the following:

CFDA # 84.048A Vocational Education Grants to States - Vocational Education	
Regional Allocation	\$ 88,453
CFDA #84.243 Tech Preparation - Vocational Education Tech Preparation	
Career Preparation Grant	<u>15,165</u>
	<u>\$ 103,618</u>

NOTE E: ALLOCATION OF WORKFORCE INVESTMENT ACT CLUSTER

Michigan Department of Labor and Economic Growth appropriates (disburses) Workforce Investment Act (WIA) funding for administration and state-wide programs under the three CFDA's 17.258, 17.259 and 17.260. As a result, for reporting on the Federal Data Collection form submitted to the Federal Audit Clearing House the amounts must be allocated to the respective CFDA numbers. The following is the allocation based on appropriation year:

Administrative	CFDA #	<u>Award Year 2007</u>		<u>Award Year 2006</u>		<u>Award Year 2005</u>	
		<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>
Adult	17.258	23.51	\$ 4,945	25.68	\$ 84,281	26.62	\$ 467
Youth	17.259	25.94	5,457	27.89	91,534	29.44	516
Dislocated Worker	17.260	<u>50.55</u>	<u>10,633</u>	<u>46.43</u>	<u>152,381</u>	<u>43.94</u>	<u>771</u>
		<u>100.00</u>	<u>\$ 21,035</u>	<u>100.00</u>	<u>\$ 328,196</u>	<u>100.00</u>	<u>\$ 1,754</u>

Award Year 2007

State-wide	CFDA #	<u>Incumbent Performance</u>		<u>Service Center</u>	<u>Capacity Building</u>	<u>NWLB</u>	<u>TANF Replace.</u>
		<u>Percentage</u>	<u>Worker Incentive</u>				
Adult	17.258	23.51	\$ 32,263	\$ 2,818	\$ 25,002	\$ 5,641	\$ 11,892
Youth	17.259	25.94	35,598	3,109	27,586	6,224	13,121
Dislocated Worker	17.260	<u>50.55</u>	<u>69,370</u>	<u>6,059</u>	<u>53,758</u>	<u>12,130</u>	<u>25,568</u>
		<u>100.00</u>	<u>\$137,231</u>	<u>\$11,986</u>	<u>\$106,346</u>	<u>\$23,995</u>	<u>\$50,581</u>
							<u>\$110,961</u>

Hillsdale County Intermediate School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2008

NOTE E: ALLOCATION OF WORKFORCE INVESTMENT ACT CLUSTER - CONTINUED

Award Year 2006

<u>State-wide</u>	<u>CFDA #</u>	<u>Percentage</u>	<u>Service Center</u>	<u>NWLB</u>	<u>TANF Replace.</u>
Adult	17.258	25.68	\$ 2,529	\$ 5,715	\$ 22,361
Youth	17.259	27.89	2,747	17,084	24,286
Dislocated Worker	17.260	<u>46.43</u>	<u>4,574</u>	<u>28,398</u>	<u>40,430</u>
		<u>100.00</u>	<u>\$ 9,850</u>	<u>\$ 61,197</u>	<u>\$ 87,077</u>

Award Year 2005

<u>State-wide</u>	<u>CFDA #</u>	<u>Percentage</u>	<u>TANF Replace.</u>
Adult	17.258	26.62	\$ 6,904
Youth	17.259	29.44	7,636
Dislocated Worker	17.260	<u>43.94</u>	<u>11,396</u>
		<u>100.00</u>	<u>\$ 25,936</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Hillsdale County Intermediate School District
Hillsdale, Michigan

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Hillsdale County Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Hillsdale County Intermediate School District's basic financial statements and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hillsdale County Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the schedule of findings as finding #2008-1.

This report is intended solely for the information and use of the management, the Board of Education of Hillsdale County Intermediate School District, the pass-through entities, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 13, 2008

Hillsdale County Intermediate School District

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no significant deficiencies or material weaknesses in internal control disclosed by the audit of the basic financial statements. We noted one (1) instance of noncompliance with laws, regulations, contracts and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no findings regarding internal controls or compliance related to the major programs tested.

The major programs tested to cover 25 percent of the total Federal expenditures were the Special Education IDEA cluster (CFDA 84.027A and 84.173A) and the Workforce Investment Act cluster (CFDA 17.258, 17.259 and 17.260) programs. Total Federal expenditures for the year ended June 30, 2008 for the major programs tested were \$7,442,647, which is approximately 61 percent of total Federal expenditures. The District qualified as a low risk auditee.

The District had five (5) Type A programs. Programs of less than \$367,347 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Significant Deficiencies Related to Internal Controls Over the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

2008-1 BUDGETS

Condition: As noted in the financial statements, there were some expenditure functions in the General Education Fund, Special Education Fund and Vocational Education Fund where actual expenditures exceeded the amounts appropriated. While these overages did not appear to be material to the financial statements as a whole, they were still noted budget overages that new professional standards require us to report on.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District had some instances of budgetary noncompliance relative to State law in the areas where the overages occurred.

Recommendation: We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The General Education Fund had two (2) function categories exceeding the budgeted amount in excess of 10% but overall the fund came in under budget for the year. The Special Education Fund had two (2) function categories exceeding the budgeted amount in excess of 10%, with the largest amount due to an unexpected adjustment with a service provider at year end. The Vocational Education Fund had no function categories exceeding the budgeted amounts in excess of 10% and came in under budget for the year. In order to reduce the number of actual expenditures exceeding budgeted amounts the District has moved to a new software program which should allow it to monitor the budgeted line items more closely and the District will make a greater effort to budget more closely for year-end amendments in June.

Hillsdale County Intermediate School District

SCHEDULE OF FINDINGS - CONTINUED

For the Year Ended June 30, 2008

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

Hillsdale County Intermediate School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Basic Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

2007-1 ALLOWABILITY OF COSTS (Employment Services CFDA 17.207; Trade Adjustment Assistance CFDA 17.245; TANF - Workfirst CFDA 93.558)

Condition: SCMW provides a monthly car allowance to the Regional Business Coordinator for the Michigan Works Agency and also provides the use of a credit card for the purchase of gasoline. Personal use is not being documented sufficiently to support that all costs related to the car allowance or gasoline are allowable to the program, or, if so, necessary and reasonable.

Criteria: The Michigan Department of Labor and Economic Growth under basic guidelines stipulated in OMB Circular A-87 for factors affecting allowability of costs requires that costs charged to a program must be necessary and reasonable for proper and efficient performance and administration of Federal Awards.

Context: As part of the compliance testing for allowable costs/cost principles, we select various expenditures for testing which include, among other items, credit card and auto lease or allowance payments. As part of considering allowability for auto costs, lease and allowance costs are tested to determine if personal use is properly reported and either reimbursed by the individual or taxed under the internal revenue code.

Effect: Because there is not sufficient support for the percentage of personal use, SCMW has the risk that additional costs could be considered by the IRS as personal and thus should have been taxed or reimbursed by the individual. This would result in the costs not being allowable to the program. Also, should it be determined that it is not necessary to charge both car allowance and gasoline to the program, costs could be questioned.

Cause: SCMW believed that paying a car allowance was less costly than leasing a vehicle and that the individual was allowed to have gasoline purchased the same as having a leased vehicle. Taxability of personal use of the gasoline and inadvertently not considered.

Current Status: SCMW requested the Regional Business Coordinator to submit to the business office on a monthly basis personal mileage logs to support the portion of personal use related to the car allowance and gas cards. All personal mileage that has been reported has been reconciled and corrected. SCMW worked with the auditors to verify the information received by the coordinator was sufficient to address the finding. SCMW believes that providing a car allowance along with a gas card for business use only is reasonable as the coordinator travels on the average over 2,000 miles a month meeting businesses, contractors and participants. The monthly car allowance allotted is \$450 per month plus an average of \$202 recorded on the gas card providing an approximate monthly cost of \$652. If SCMW used actual reimbursement based on the IRS guidelines instead of the car allowance, the cost would be \$970 per month (2,000 miles x \$.485/mile). By providing a car allowance instead of actual reimbursement, SCMW is saving approximately \$318 per month.

We feel the District has adequately addressed this issue.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

MANAGEMENT LETTER

To the Board of Education
Hillsdale County Intermediate School District
Hillsdale, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of Hillsdale County Intermediate School District for the year ended June 30, 2008. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving the administration's internal controls and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structures and our discussions with the administration.

1. The District should review the internal controls over payroll related procedures.

During our analysis of the internal controls related to payroll processing of the District, we noted that the Payroll Bookkeeper who is responsible for processing of payroll also has access to master file information within the computer system.

The basic premise of a sound internal control system is to assure that no one individual has responsibility and/or access to many functions within a particular accounting function. In this instance, one individual has access to be able to make payroll rate and other changes and also is responsible for processing of payroll.

We suggest the District review the internal controls over payroll related procedures to determine if duties could be better segregated and access to master file data be limited.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated November 13, 2008.

This report is intended solely for the use of the administration and Board of Education of Hillsdale County Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 13, 2008